

## II. TRADE POLICY REGIME: FRAMEWORK AND OBJECTIVES

### (1) General Framework

1. Singapore has a parliamentary system of government. Under the Constitution, the executive power is vested in the President, who is elected directly by the people to serve a six-year term as the Head of State. The President appoints as Prime Minister a Member of Parliament from the majority party. He also appoints the Cabinet members from among parliamentarians on the advice of the Prime Minister. The Head of State may dissolve Parliament on the recommendation of the Prime Minister. The Council of Presidential Advisers advises the President on a number of his or her functions.

2. There is a unicameral, 81-member Parliament which exercises legislative authority. Parliament is composed of elected Members and nominated Members. Nominated Members, who cannot exceed six in number, are appointed by the President. The Parliament has a maximum constitutional term of five years, but can be dissolved earlier.

3. Executive authority is exercised by the Cabinet, chaired by the Prime Minister. The Cabinet currently comprises 14 Ministers. Policy formulation and implementation is undertaken by the Ministries. These are empowered to issue Regulations, published in the Government Gazette, on the implementation of laws. Acting on behalf of the Cabinet, the Prime Minister and other Ministers are empowered to introduce bills and budget proposals to Parliament including matters relating to foreign and trade affairs. The Senior Minister advises Ministers on any of the subjects under their charge.

4. All laws, including trade and trade-related legislation, have to be approved by Cabinet before being sent to Parliament, must be passed by Parliament and must receive Presidential assent.

5. Judicial power is exercised through the Supreme Court. The Court of Appeal is the highest tribunal in Singapore's judicial hierarchy; the court comprises the Chief Justice and two full-time Appellate Judges. On the advice of the Prime Minister, the President appoints the Chief Justice. The Constitution is Singapore's highest law, followed by Acts and ministerial regulations made pursuant to Acts. International treaties, including the WTO obligations once incorporated into domestic law, have the same status as other domestic laws. Conflicts between international obligations and national laws are avoided by bringing domestic legislation into conformity with a treaty before its ratification. Implementing legislation requires the approval of Parliament.

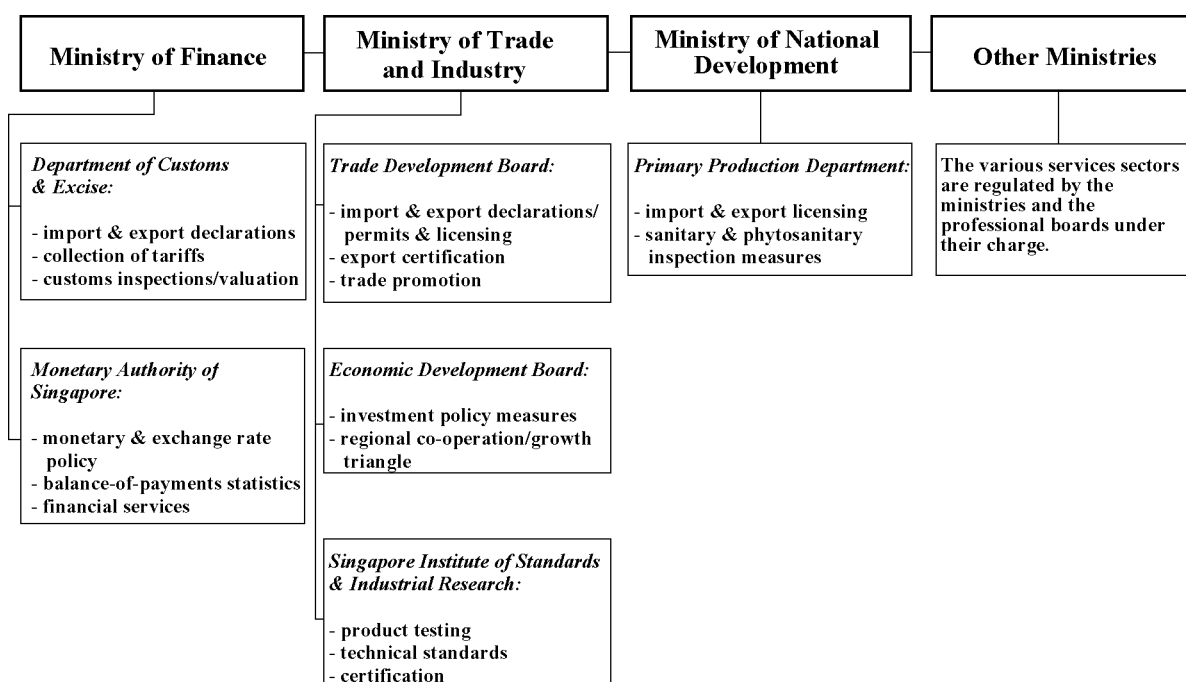
### (2) Structure of Trade Policy Formulation and Implementation

#### (i) Legislative and Executive branches of Government

6. According to the authorities, there have been no major changes since Singapore's previous Trade Policy Review in 1992 in the structure and role of the Government and other agencies in the formulation, co-ordination and implementation of trade and trade-related policies in Singapore. The structure of the trade and trade-related government organizations is shown in Chart II.1.

## Chart II.1

### Co-ordination of trade and trade-related policies in Singapore



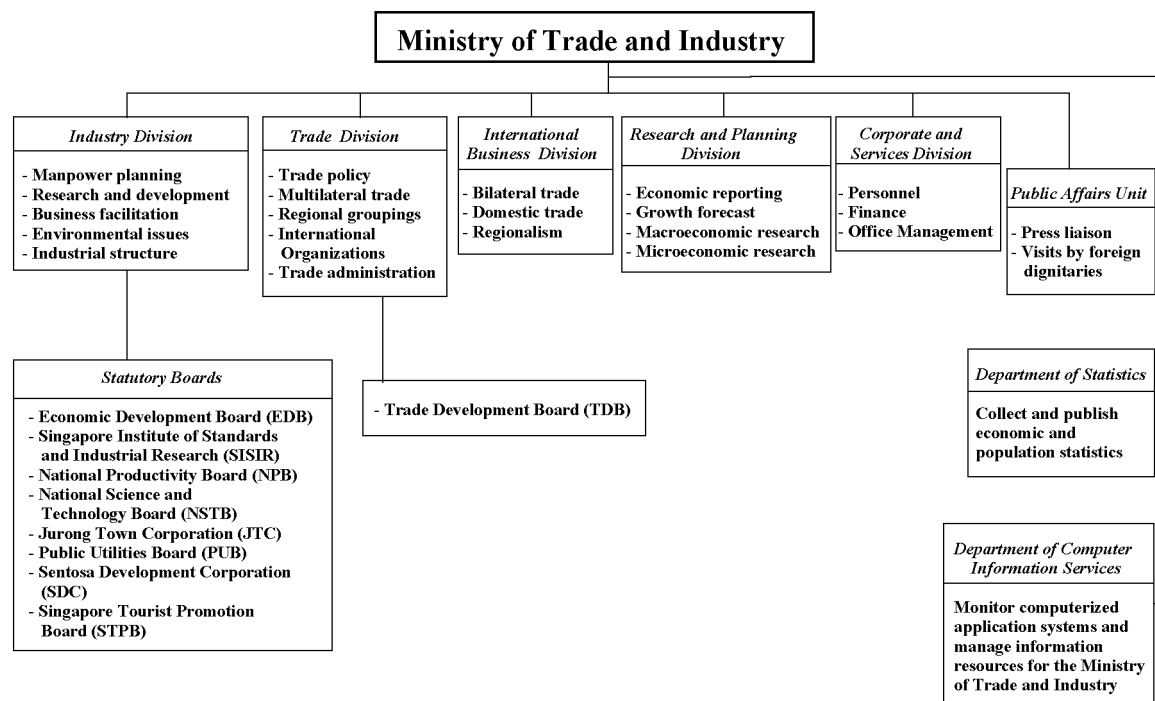
Source: Government of Singapore.

7. The Ministry of Trade and Industry (MTI) is responsible for the formulation of trade policy (Chart II.2). The Singapore Trade Development Board (TDB) is the statutory board responsible for the implementation of trade policies and measures and programmes for trade development.<sup>1</sup> The Economic Development Board (EDB) is the statutory board responsible for the implementation of policies on investment incentives. The EDB will work jointly with a newly proposed board - Singapore Productivity and Standards Board - where workers' training and productivity, and the development of local, small- and -medium sized enterprises are concerned. The task of promoting research and development is undertaken by both the EDB and the National Science and Technology Board (NSTB). The Singapore Institute of Standards and Industrial Research (SISIR) is in charge of setting standards for industry including the electrical, electronics, mechanical, building, construction, industrial safety, chemical, and food packaging sectors.

<sup>1</sup>There are more than 100 statutory boards in Singapore. They are established under separate legal statutes governed by Acts. Although the employees are not civil servants, they are deemed to be public servants for the purpose of the Penal Code.

Chart II.2

## Organizational structure of the Ministry of Trade and Industry in Singapore



Source: Government of Singapore.

8. The Ministry of Finance oversees the Department of Customs and Excise and the Monetary Authority of Singapore (MAS). The Department of Customs and Excise administers the collection of customs duties and Goods and Services Tax on imported goods. The MAS regulates the financial system; promotes, within the context of the general economic policy of the Government, monetary stability and credit and exchange conditions conducive to the growth of the economy; licenses and supervises financial institutions; and performs all functions of a central bank, except the issue of currency.<sup>2</sup>

9. The Public Utilities Board is in charge of setting technical regulations relating to electrical safety products. The Ministry of the Environment sets regulations for food products, food appliances, and specific hazardous chemicals and products. The Primary Production Department in the Ministry of National Development sets technical regulations and trade control relating to fish, meat, fruit and vegetables.

10. There is no lead agency for service-related policies. Such policies are de-centralized and under the purview of the various Ministries and professional boards. The MTI and the TDB act as co-ordinating agencies for services matters under the General Agreement on Trade in Services (GATS). The Services Development Division, established in the EDB, identifies new investment opportunities in the services sector and promotes them through the EDB's international network of offices.

<sup>2</sup>Monetary Authority of Singapore Act 1985, Article 4.

(ii) Advisory and review bodies

11. The MTI has frequent contacts with business leaders and professionals to obtain feedback on issues ranging from the impact of Government economic policies to problems encountered by trade in export markets. The MTI spearheaded the Economic Planning Committee in 1990 to provide fora for government officials and the private sector to formulate and co-ordinate development plans and strategies. The MTI holds regular meetings with the Singapore Federation of Chambers of Commerce and Industry, including the Singapore International Chamber of Commerce (SICC) as a member, and the Singapore Manufacturers' Association to promote dialogue between the Government and the private sector.

12. The National Wages Council (NWC), a tripartite body comprising representatives from the Government, employers and unions, provides for orderly wage adjustments in line with Singapore's long-term economic and social development. NWC recommendations are guidelines only. The Consumers' Association of Singapore informs and educates consumers on their rights and how to protect them.

13. The country's growing regionalization efforts have also propelled the formation of more private sector-led business councils to spearhead bilateral business links with the countries concerned.<sup>3</sup> The International Advisory Council (IAC), comprising leading businessmen in the world, was formed in 1995 to advise the Government on the various economic strategies that could be pursued for the future growth of the Singapore economy.

14. There is no independent body in Singapore with a mandate to review and assess economic policy issues on a regular, public basis.

(3) Trade Policy Objectives

(i) General trade policy objectives

15. The general economic philosophy of successive Singaporean Governments is to allow market forces to determine the basic economic structure. Accordingly, the trade policy approach remains market oriented and outward-looking. The Government tries to ensure that trade is, as far as possible, unfettered by tariffs and border measures and that customs and trade documentation procedures are streamlined to minimize inconvenience to traders.

16. The stated objectives of Singapore's trade policies are to contribute towards the strengthening of a free, open and stable multilateral trading system; to develop Singapore into an international trading centre; to identify new markets while maintaining existing markets; to safeguard and diversify sources of imports; and to increase services exports. According to the authorities, there have been no changes in the instruments used to implement trade policy objectives since 1992, and there are no sector-specific policies in Singapore.

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<sup>3</sup>These include: the German-Singapore Business Forum; the Philippines Business Council; the Singapore-British Business Council; the France-Singapore Business Council; the Singapore-Australia Business Alliance Forum; the Thailand-Singapore Business Council; the India Business Group; the China Business Group; the Singapore-Shandong Business Council; the Singapore-Hebei Working Group; and the Singapore-Szechuan Working Committee.

(ii) Singapore and the Uruguay Round

17. As a small nation that depends heavily on a free, open and stable international trading system, Singapore fully supports the GATT/WTO to protect its interests against any unilateral protectionist actions by trading partners. Singapore participated in the Uruguay Round to achieve the overall aim of further liberalization of global trade and strengthening of rules governing the conduct of international trade. Like most participants in the negotiations, Singapore's main objectives in the Uruguay Round were: an increased level of market access; enhanced stability of market access; improved transparency; and a more efficient dispute settlement mechanism. Singapore regards as positive the overall results of the Round and the establishment of the World Trade Organization.

18. Under Singapore's Uruguay Round commitments, industrial tariff bindings will increase from 0 per cent to 65 per cent of all lines and the average bound rate for industry, on a trade weighted basis, will decline from 12.4 per cent to 5.1 per cent.<sup>4</sup> In services, Singapore's schedule of commitments as of end-September 1995 covers 59 activities and 8 major services sectors, including a revised schedule on financial services.

19. The authorities estimate that the full implementation of the Uruguay Round tariff reductions by Singapore's top five export markets, i.e., the United States, Malaysia, the European Union, Hong Kong and Japan, which account for approximately two thirds of Singapore's exports, will result in accumulated potential tariff savings of some US\$333 million for Singapore's exports to these markets.

(4) Trade Laws and Regulations

20. The main legislative measure pertaining to export and import transactions is the Regulation of Imports and Exports Act of 1995, which provides the authority to control international trade in prescribed goods, as necessary, by imposing export or import licensing and other trade-related measures. The Customs Act gives authority to the Minister of Finance to deal with all tariff-related measures such as the imposition of tariffs and customs valuation. The Economic Expansion Incentives (Relief from Income Tax) Act of 1994 and the Economic Expansion Incentives (Relief from Income Tax) (Amendment) Act of 1995 cover investment allowances and income tax relief for production and export. Other trade-related laws complement these basic measures.

21. The Registry of Companies and Businesses under the Ministry of Finance is responsible for the administration of the Companies Act and the Business Registration Act. These Acts regulate the setting up and operation of companies and businesses.<sup>5</sup>

22. The Ministry of Trade and Industry submitted the Uruguay Round Agreement to the Cabinet for ratification. After approval by the Cabinet, it was ratified and Singapore became a founding member of the WTO on 1 January 1995. Singapore does not have any domestic legislation describing the legal status of the WTO. It is not possible for individuals to invoke WTO provisions before the national Courts.

23. The Uruguay Round agreements necessitated other changes in Singapore legislation. For example, the Patents Act was amended in November 1995 to bring it into conformity with the Agreement

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<sup>4</sup>GATT(1994), p. 70 and p. 77.

<sup>5</sup>Liang and Yng (1994), p. 268.

on Trade-Related Aspects of Intellectual Property Rights (TRIPS). Other domestic laws yet to be amended or drafted to fulfil Singapore's obligations under the respective Uruguay Round Agreements will cover intellectual property and customs valuation. According to the authorities, Singapore will meet its obligations within the time periods stipulated in the various Agreements.

(5) Trade Agreements

(i) Multilateral agreements

24. Singapore was a member of GATT from August 1973. Singapore was also a signatory to the Tokyo Round Agreements on Technical Barriers to Trade, Government Procurement, Import Licensing, and Anti-Dumping and held observer status in the Agreements on Customs Valuation, Subsidies and Countervailing Duties, and Trade in Civil Aircraft.<sup>6</sup> As a founding member of the WTO, Singapore has assumed its commitments under the Multilateral Trade Agreements. Singapore accords m.f.n. treatment to both the WTO and the non-WTO members alike, except for preferences in the ASEAN context. Singapore will host the first WTO Ministerial Conference in December 1996.

25. Singapore is a member of the Association of Natural Rubber Producing Countries (ANRPC).<sup>7</sup> It was a member of the International Coffee Organization; however, Singapore did not accede to the revised International Coffee Organization in 1995. Singapore is also a member of such multilateral trade-related organizations as UNCTAD, the World Bank, the International Monetary Fund and the Asian Development Bank.

26. Singapore benefits from Generalized System of Preferences (GSP) treatment mainly in the EU, Japan and Canada. In 1995, Singapore exported goods worth about US\$4.5 billion under preferences provided through the GSP, more than double the level of 1990. Most of these exports went to the European Union (Chapter IV(3)(xv)). Singapore is a member of the Global System of Trade Preferences among Developing Countries (GSTP).

(ii) Bilateral agreements

27. Singapore has bilateral trade agreements with a number of countries. The Trade and Investment Framework Agreement (TIFA) between Singapore and the United States underscores the mutual desire of both countries to take steps to further enhance and facilitate their bilateral trade relationship. The TIFA established a joint Trade and Investment Council ("the Council") as the main body for consultation on bilateral issues.<sup>8</sup> The objectives of the Council are: to monitor trade and investment relations; to hold consultations on specific trade and investment matters of interest, and to negotiate agreements; and to identify and work towards the removal of impediments to trade and investment flows and to promote an expansion of these flows.

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<sup>6</sup>WTO document L/6453/Add.26, dated 27 November 1995.

<sup>7</sup>GATT(1992), Vol. II, p. 21.

<sup>8</sup>The Council is composed of government representatives from both countries. The private sector of the respective countries are consulted on matters related to the work of the Council and may participate in these meetings.

28. Since 1992, Singapore has ratified Investment Protection Agreements with Poland and VietNam. Singapore has also ratified comprehensive tax treaties with Pakistan, Poland, Vietnam and Mexico and limited tax treaties with Saudi Arabia (air transport) and Chile (shipping).

(iii) Preferential trade

29. Singapore's participation in regional economic agreements is based on the concept of "open regionalism". Through regional economic integration, Singapore seeks to overcome the constraints of its small economy and build an external economy. According to the authorities, trade liberalization at the regional level is regarded as a building block towards multilateral trade liberalization.

30. Singapore is one of the founding members of the Association of Southeast Asian Nations (ASEAN), formed in 1967.<sup>9</sup> In January 1992 these countries agreed to establish the ASEAN Free Trade Area (AFTA) to promote trade and investment in the region. In January 1993 the Common Effective Preferential Tariff (CEPT) emerged as the mechanism for implementation. Member States agreed to the effective tariff reductions on products originating from ASEAN member States over 15 years. Singapore offered 5,656 products at the HS 9-digit level, or 97 per cent of all tariff lines, for inclusion in AFTA tariff reductions. Member States were to eliminate all quarantine restrictions and other non-tariff barriers, with respect to products under the CEPT scheme, within five years beginning from 1 January 1993.<sup>10</sup>

31. The 1995 ASEAN Summit formalized new initiatives that would accelerate the completion of AFTA to 2003, instead of 2008, and expand ASEAN economic co-operation to the fields of services and intellectual property. The AFTA product coverage was expanded to include unprocessed agricultural products. In addition, all products in the Temporary Exclusion List (TEL) would be transferred to the Inclusion List (IL) in five equal annual instalments of 20 per cent, with the first instalment in January 1996 and ending in 2000.<sup>11</sup>

32. The adoption of the Framework Agreement on Services would initiate negotiations on specific commitments, to be completed within three years. According to the authorities, signing the Framework Agreement on Intellectual Property not only strengthens Intellectual Property administration and enhances enforcement and protection, it also creates the possibility of setting up an ASEAN patent and trademark systems.

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<sup>9</sup> The other founding members were Indonesia, Malaysia, the Philippines and Thailand. Brunei Darussalam joined as the sixth member in 1984 and Vietnam joined as the seventh in July 1995. ASEAN has seven dialogue partners: Australia, Canada, the European Union, Japan, the Republic of Korea, New Zealand and the United States.

<sup>10</sup> ASEAN Secretariat, (1995). See WTO (1995) for more details.

<sup>11</sup> The TEL contains products exempted from the extension of tariff preferences under the CEPT scheme; the IL currently covers about 85 per cent of intra-ASEAN trade values.

(iv) Regional co-operation

33. Launched in 1989, Asia Pacific Economic Cooperation (APEC) was designed to achieve free and open trade and investment in the Asia-Pacific region.<sup>12</sup> Since this is consistent with Singapore's objective of liberal trade and investment régime, Singapore fully supports the goals of APEC and has been one of APEC's active participants.

34. The Bogor Declaration in November 1994 committed APEC to implement free and open trade and investment in the region, while affording flexibility to member economies to implement their commitments to trade liberalization. In the Bogor Declaration, it was agreed that the pace of implementation would take into account the differing level of economic development among APEC economies, with the industrialized economies achieving the goal of free and open trade and investment no later than the year 2010 and developing economies no later than the year 2020.<sup>13</sup> The Bogor Declaration articulated the three main pillars of work within the APEC fora: trade facilitation, trade liberalization and economic and technical co-operation.

35. The APEC Osaka summit meeting in November 1995 resulted in the adoption of an Action Agenda which set out the framework for future APEC activities as well as providing a set of principles and specific actions to implement the Bogor Declaration. The Osaka meeting also resulted in the announcement of specific "down-payments" of initial actions containing measures that further liberalize and facilitate foreign trade and investment. The Osaka Initial Actions focused on steps to harmonize customs forms, adopt common product safety standards, deregulations, tariff reductions and eliminate other specific trade impediments.<sup>14</sup>

36. The desire to take advantage of the resource complementarity and geographic proximity among countries in the region has led to the emergence of a growth triangle, linking Singapore with adjacent areas of Malaysia (Johor) and Indonesia (Riau). The idea behind the growth triangle, proposed by Singapore in 1989, was that Singapore would benefit from the reduced pressure on land and labour, while Indonesia and Malaysia would gain from increased investment inflows from Singapore. In December 1994 Indonesia, Malaysia and Singapore signed a Memorandum of Understanding (MOU) to formalise the Growth Triangle concept of economic co-operation. See Box II.1 for more details.

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<sup>12</sup>The members, besides Singapore, are Australia, Brunei Darussalam, Canada, Chile, China, Chinese Taipei, Hong Kong, Indonesia, Japan, the Republic of Korea, Malaysia, Mexico, New Zealand, Papua New Guinea, the Philippines, Thailand, and the United States.

<sup>13</sup>WTO(1995a), p. 24..

<sup>14</sup>APEC Economic Leaders' Meeting (1995).



**Box II.1: The Indonesia-Malaysia-Singapore Growth Triangle**

The Growth Triangle concept was first mooted by Singapore in 1989. It was intended to capitalise on the geographical proximity and complementary strengths of contiguous sub-regions within ASEAN with a view to increasing cross-border trade and investment flows. By building on natural sub-regional synergies, it was felt that the pace of intra-ASEAN economic co-operation and integration could be accelerated and its scope expanded significantly.

The Sijori (Singapore-Johor-Riau) Growth Triangle was the first of its kind to be set up in 1989. Sijori began as an informal arrangement. Singapore and Indonesia signed a bilateral economic co-operation agreement in 1990 to facilitate joint collaboration in Indonesia's Riau Province. Malaysia supported the Sijori concept, but did not enter at that time into any formal agreement with Singapore or Indonesia.

On 17 December 1994, the three countries signed a Memorandum of Understanding (MOU) to formalize the co-operation framework between Singapore, Indonesia's Riau Province, the Malaysian State of Johor and any other area which might be designated by the Parties. Indonesia has since indicated that it would like to include its province of West Sumatra. Sijori was renamed the "Indonesia-Malaysia-Singapore Growth Triangle (IMS-GT)".

The MOU provides a framework for bilateral and trilateral co-operation in the development, expansion and integration of various sectors including trade, transport and communications, tourism, shipping, agriculture, forestry, industrial infrastructure and manufacturing. The three countries also agreed to encourage human resource development and to facilitate and promote the expeditious and smooth flow of goods and services, investments and people within the IMS-GT. However, the IMS-GT is private-sector led and market-driven and the rôles of the three countries are to support, encourage and facilitate bilateral and trilateral private-sector collaboration efforts.

Singapore is the largest investor in Johor. Between 1990 and 1993, Singapore companies invested more than US\$555 million in Johor. Singapore is the largest foreign investor in the Riau province, with cumulative investments totalling almost US\$1 billion.

Source: Government of Singapore.